# DUDLEY ACADEMIES TRUST
## Risk Management Policy

| Issue number: | 001 |
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| Responsible: | Compliance & Safeguarding Officer |
| Approved by: | Board of Trustees |
| Date: | February 2019 |
| Review date: | February 2020 |

*Our mission: Working together we will develop inspirational schools which instil ambition and desire in young learners, open their minds, widen their horizons and equip them to succeed in a challenging world.*

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# Introduction

Risk Management is a tool to analyse uncertainty and allows the Trust and its academies to manage the risks that they face and to also focus on potential opportunities. The benefits of ensuring that sound risk management becomes a part of day to day working include:

- contributing to attaining the highest standards of Governance – the way the Trust directs, manages and monitors its functions and is accountable to its key stakeholders
- informing the business planning process and supporting the achievement of the Trust's objectives

The Trust takes a pragmatic approach to risk management.  The Policy will be reviewed regularly.  In assessing what constitutes a sound system of internal control, consideration should be given to:

- The nature and extent of the risks facing the organisation
- The extent and categories of risk which it regards as acceptable
- The likelihood of the risks concerned materialising
- The organisation's ability to reduce the incidence and impact of the risks that do materialise

# Risk Management Objectives

The objectives for managing risk across the Trust are:

- To consider risk management best practice
- To ensure risks facing the Trust are identified and appropriately documented
- To provide assurance to the Trustees that risks are being adequately controlled, or identify areas for improvement
- To ensure action is taken in relation to accepting, mitigating, avoiding and transferring risks

# Assessment and Management of Risk

This Policy aims to:

- Outline the roles and responsibilities for risk management
- Identify risk management processes to ensure that all risks are appropriately identified, controlled and monitored
- Ensure appropriate levels of awareness throughout the Trust and its academies

# Roles and Responsibilities

The proper management of risk must (as a matter of law) ultimately fall to the Trustees and may not be delegated. The Trustees do however delegate the day-to-day operation of this Policy to the Trust Senior Leadership Team (SLT) who report regularly and effectively to the Trustees.

The Chief Executive Officer (CEO) has lead responsibility for risk management processes and the Trust-wide Risk Register, including:

- Monitoring the performance of risk management processes
- Ensuring that appropriate controls are in place to manage identified risks
- Preparation of periodic reports to the Trust Board

The full implementation of the Risk Management Policy is only possible with the full cooperation and assistance of the Principal of each academy. Each academy will have its own risk register. The Principal of each academy shall do all they reasonably can to ensure this Policy is implemented effectively in respect of their own individual risk profile.

All staff have an important role to play in identifying, reporting and managing the Trust's risks both at Trust and individual Academy level. The Risk Register for each academy is formally reviewed by the Principal and each SLT and reported to the relevant Advisory Board at least once a term.

## Identification of Risks

Risk identification should be approached in a methodical way to ensure that all significant activities have been identified and all the risks flowing from these activities have been defined. Our approach to risk management is linked to the Trust's strategic aims and objectives. These have been set and agreed with the Trustees. Broadly speaking, most risks will be categorised as strategic and reputational, operational, HR, compliance, financial, property, and ICT.

## Evaluation of Risks

The Trust uses a 5x5 matrix to assess impact and likelihood as illustrated below:

1 = Almost None     2 = Minor     3 = Moderate     4 = Major     5 = Severe

| Impact 5 | 5 | 10 | 15 | 20 | 25 |
|---|---|---|---|---|---|
| Impact 4 | 4 | 8 | 12 | 16 | 20 |
| Impact 3 | 3 | 6 | 9 | 12 | 15 |
| Impact 2 | 2 | 4 | 6 | 8 | 10 |
| Impact 1 | 1 | 2 | 3 | 4 | 5 |
|  | Likelihood 1 | Likelihood 2 | Likelihood 3 | Likelihood 4 | Likelihood 5 |

| Impact of risk occurring | |
|---|---|
| Impact | Description |
| Severe | The financial impact will be between £100,000 and £250,000<br>Has a high impact on the Academy's strategy or on teaching and learning<br>Has high stakeholder concern |
| Major | The financial impact will be between £10,000 and £100,000<br>Has a significant impact on strategy or on teaching and learning<br>Has Significant stakeholder concern |

| Moderate | The financial impact will be between £1,000 and £10,000<br>Has a moderate impact on strategy or on teaching and learning<br>Has moderate stakeholder concern |
|---|---|
| Minor | The financial impact is likely to be below £1,000<br>Has a very low impact on strategy or on teaching and learning |
| Almost None | Very Low stakeholder concern |

**Likelihood of risk occurring**

| Likelihood | Description | Indicator |
|---|---|---|
| Extremely Likely | Likely to occur each year, or more than a 80% chance of occurrence within the next 12 months | Potential of it occurring within a year<br>Has occurred within the last year |
| Likely | Likely to occur within a 2 year time period, or more than a 50% chance of occurrence within the next 12 months | Potential of it occurring within 2 years Has occurred within the last 2 years |
| Possible | Likely to occur within a 3 year time period, or more than a 30% chance of occurring within the next 12 months | Potential of it occurring within 3 years Has occurred within the last 3 years |
| Unlikely | Not likely to occur within a 3 year time, and less than a 30% chance of occurrence within the next 12 months | Potential of it occurring within 3-5 years Some history of occurrence |
| Rare | Conceivable but only in extreme circumstances. | Potential of it occurring with less frequency than once every 10 years |

## Risk Appetite

The term risk appetite describes the Trusts' readiness to accept risks and those risks it would seek to reduce.  The Trust's risk appetite is the boundary described by the red scores (scores of 9 and above) in the risk matrix.  At or above this threshold the Trust will actively seek to manage risks and will prioritise time and resources to reducing, avoiding or mitigating these risks.  If the risk cannot be avoided or mitigated further, then additional monitoring will be implemented and contingency plans produced in the event of the risk crystallising.

## Addressing Risks

When responding to risks, the Trust will seek to ensure that it is managed and does not develop into an issue where the potential threat materialises. The Trust will adopt one of the 4 risk responses outlined below:

| Terminate | Counter-measures are put in place that will either stop a problem or threat occurring or prevent it from having an impact on the business |
|---|---|
| Assume Treated | Acknowledge the existence of a particular risk and make a deliberate decision to accept it without engaging in special efforts to control it. |

| Treat / Mitigate | The response actions either reduce the likelihood of a risk developing, or limit the impact on the Trust to acceptable levels |
|---|---|
| Tolerate | We accept the possibility that the event might occur, for example because the cost of the counter-measures will outweigh the possible downside, or we believe there is only a remote Likelihood of the event occurring |

## Risk Reporting and Communication

The aim of reporting risk is to provide assurance to Trustees, Senior Leadership and Auditors that the Trust is effectively managing its risks and has a robust system of internal controls.

## Risk Register

The reporting mechanism will be the Trust's Risk Register - this will highlight the key risks (amber or red). Any significant changes in risk impact or likelihood, or the occurrence of an event which raises the profile of a risk, will be recorded on the risk register as it occurs. Any new or increased risks identified by Trustees, Principal and SLT, or raised by a member of staff, will be evaluated and, if appropriate, recorded in the Risk Register.

Each academy will have its own Risk Register which reflects appropriate risks identified at Trust level but also addresses local risks.

## Communicating Risks

The Trust Board monitors the risk management plan each term with detailed scrutiny taking place. The CEO will ensure that any perceived new or increased risks or significant failure of risk management control measures are considered by each Principal and SLT's and reported to the Local Advisory Board or Trust Board where relevant, along with a summary of actions taken.

The CEO will endeavour to raise awareness that risk management is a part of the Trust's culture and seek to ensure across the Trust and its academies that:

- individual members of staff are aware of their accountability for individual risks
- individuals report promptly to senior management any perceived new risks or failure of existing control measures

## Risk Review and Assessment

Internal audit will, periodically (not less than triennial), provide an assessment of the effectiveness of the Trust's management of risk.

The CEO will update the Risk Register on a termly basis in consultation with the Trust's SLT, removing those that are green. This will enable reporting to Trustees on:

- The higher risks (amber and red) facing the Trust
- The effectiveness of the risk management processes
- That the Trust has published a risk management policy covering risk management philosophy and responsibilities

# Monitoring and Review

This policy will be reviewed every three years, or sooner as necessary.

Links to other policies:

- Finance Policy
- Health and Safety policy
- Safeguarding Policy